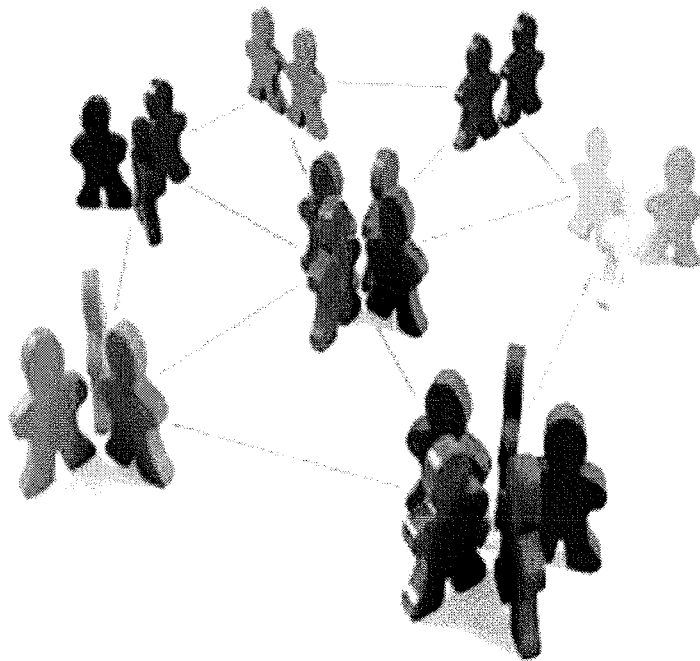


Source Tasmania – A Feasibility Study



June 2011

Partner Organisations

- Source Community Wholefoods Cooperative
- The Smith Family
- MiLE (Midlands initiative in local Enterprise)
- The Australian Innovation Research Centre

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Executive Summary

This \$8,070 Tasmanian Food Security Council funded project aims to explore the feasibility of a commercially viable social enterprise, delivering sustainably produced, nutritious local food, into specific areas of Tasmania where people experience elevated levels of food insecurity. The study explores two models of service delivery. The first model is small scale, involving the incremental growth of an existing Hobart based not-for-profit food retail store, such that it could provide a small number of seasonal fruit and vegetable boxes into three specific communities. The second option is larger in scale and would involve the formation of a new business entity capable of packing and delivering seasonal fruit and vegetable boxes into communities throughout Tasmania. Both models under consideration are not-for-profit, but would aim to generate sufficient income through the sale of food to cover their own operating costs, including the employment of staff. Both models would also make some use of e-commerce, for example by offering an online ordering system to customers.

The central considerations in gauging the feasibility of these models are;

- 1) The existence of suitable partner organisations and their ability to co-operate,
- 2) The presence of unmet demand for fresh fruit and vegetables in target areas,
- 3) The ability of target consumers to purchase products at prices which would cover the projected start up and operating costs of the social enterprise.

Data for the study was obtained in 3 stages:

- 1) Multiple meetings with senior and operational staff from all partner organisations
- 2) Semi-structured interviews with 32 residents of the study sites (Chigwell, Gagebrook and Oatlands) to develop a qualitative understanding of potential demand for the envisaged service (Research methods were approved as part of the author's University of Tasmania human research ethics application H11289.)
- 3) Scenario building, benchmarking and cost estimation designed to develop a clearer understanding of organisational and financial resources required to deliver the service.

This data was then assessed to determine both the likely financial and organisational feasibility of the two delivery options, as well as their likely impact on food security.

The results of this study highlight that there is at least some level of unmet demand for the stable and professional delivery of local and sustainably produced fruit and vegetables in all types of Tasmanian communities, but that the capacity of a self supporting social enterprise to fulfill this service, especially for the most food insecure, is hampered by a number of factors. These factors include; the presence of existing businesses offering conventionally produced fruit and vegetables at low cost; the existence of programs offering food either for free, or at prices which do not represent the true cost of delivery; the low level of availability and relatively high cost of capital funds for social enterprises compared to grant funded food delivery projects. Despite these issues it is not impossible that a social enterprise might succeed within some regions.

Partner Organisations

Source Community Wholefoods Cooperative (Source)

Source is a not-for-profit social enterprise devoted to the provision of lower cost access to local and organic food, as well as the provision of hands on education around issues of urban sustainability. Source, was first envisaged in August 2005 by a group University of Tasmania (UTAS) undergraduate students and young community members. It is now run as an independent member owned co-operative and is controlled by an elected board of management. The shop employs two paid shop staff and currently opens 5 days a week. As of May 2011 Source has initiated a small trial offering pre-packed vegetable boxes to 25 members a week. Given this level of development and its relatively unique position in Tasmania, this study has assumed that Source is the logical locus of expansion for this type of project. The author of this study is a co-founder and current director of Source.

The Smith Family

The Smith Family, an independent not-for-profit organisation established in 1922, works to help disadvantaged Australian children and their families. The Smith Family has a focus on children's education and learning in its effort to break the cycle of disadvantage. The organisation has been operating in Tasmania since 2007 and employs 12 staff across 4 discrete communities in each of the four geographic regions of the state. Significantly for this study, The Smith Family has a high level Memorandum of Understanding with the Department of Education which provides for the co-location of their *Learning for Life* program within schools. This innovative program engages both parents and students and aims to improve 'literacy' in the following areas, with particular relevance to this study; health, financial and digital literacy. This three part focus and the fact that The Smith Family has an active presence in several communities with identified issues with food security, makes them an ideal partner for this project.

Midlands Initiative for Local Enterprise (MILE)

MILE is a community not-for-profit organisation based in Oatlands. MILE works to address social issues prevalent in Oatlands and the Southern Midlands which result from their small and relatively dispersed population. MILE was established in 1994 with the aim of addressing the decline in economic activity and resulting social opportunity within their local area. Poor access to nutritious food has been identified as a problem for some members of their community and as such they are keen to investigate how the types of model this study explores could contribute to both greater food security within their area and potentially greater economic activity.

The Australian Innovation Research Centre (AIRC)

The AIRC is a research unit within the University of Tasmania's Faculty of Business. The AIRC is the lead partner in this study, and current employer of the author who is undertaking an aligned PhD on digital innovation and price competition within the local food sector. Ethics approval for the research methods used in this study was obtained as part the authors PhD ethics approval H11289. The AIRC also auspiced the funds for this project and provided office support.

Food Security in Tasmania

This study uses the following Tasmanian Department of Health and Human Services definition of food security:

“[Food security is the] ability of individuals, households and communities to acquire food that is sufficient, reliable, nutritious, safe, acceptable and **sustainable** (2010).”

The inclusion of the word *sustainable* is significant, because this study is concerned with the viability of distributing ‘organic’ local food through a social enterprise network. While organic food is often more expensive than non-organically produced items, and therefore may initially seem unsuited to the needs of food insecure people, this study nonetheless explores its potential for three reasons;

- 1) Organic production methods are recognised as more environmentally sustainable than non-organic systems (Pacini, Wossink et al. 2003). Within the context of looming environmental limits (from nutrient pollution in waterways, to the depletion of oil reserves) organic food production represents the most feasible food production technology over the medium to long term (Wright 2009).
- 2) Organic food is regularly promoted as the only safe and ethical food choice for consumers. To assume an a-prior unsuitability of organic food for disadvantaged consumers is to promote the idea of a ‘two tier food system’ where elites define and consume ‘good food’, while the rest of society is unconsciously relegated to the consumption of potentially unsafe, unethical and unsustainable food (Allen, Fitzsimmons et al. 2003).
- 3) This study uses the Source Community Wholefoods Cooperative as the envisaged ‘launch point’ of one of the two social enterprise models examined. At present Source has a policy of only selling organically produced food.

In seeking to address food security in Tasmania, this study primarily addresses issues of food supply and access, specifically:

- 1) Location of Food outlets
- 2) Availability in outlets
- 3) Price
- 4) Quality and Variety

While the above represent the primary issues the two models of delivery would address, the importance of education in prompting demand for healthy sustainably produced food is also recognised. However, this study does not focus on the role of education in food security beyond a brief examination of how a partnership with The Smith Family may be able to add value through their in school *Learning for Life* program which offers; health, finance and digital literacy support for parents.

Why consider a Social Enterprise Response?

Food security can be addressed by multiple entities with differing motivations e.g.

- 1) Government (e.g. direct subsidy through initiatives such as food stamps)
- 2) Private enterprise (The provision of suitable food by local for-profit businesses such as corner stores and supermarkets).
- 3) Non-trading NGO's (rely on grant funding and donations to provide services such as soup kitchens and emergency food relief).
- 4) Volunteer community groups (e.g. small co-ops using all volunteer labor)
- 5) Social Enterprise

Social enterprise and social entrepreneurship mean different things to different people. Social enterprise also differs markedly based upon where they operate, what they do and how they do it. For the sake of clarity and brevity however, this study uses the Tasmanian Government's newly adopted definition of a social enterprise:

Social Enterprises are socially driven organisations that apply a commercially viable strategy to a business venture to achieve a social outcome for the community (Tasmanian Social enterprise loan fund, 2011).

While there are multiple organisational vehicles for addressing food security, a social enterprise approach has been chosen because it is felt to offer the following advantages:

- 1) Can often identify and address specific social problems more quickly than government.
- 2) Given that profit is not the sole imperative of a social enterprise they can service markets which would generally be considered insufficiently profitable by private enterprise.
- 3) Income from trading activities may be more consistent – although not necessarily higher- than income derived from grants and donations and therefore allow for longer term planning and a more consistent focus on the social problem.
- 4) In general social enterprises will seek to create sufficient income to pay key staff members. While this may increase the cost of service delivery relative to an all volunteer approach, the organisation is less likely to cease service delivery as a result of the 'burn out' that often affects volunteer organisations in the longer term.

Two different social enterprise structures are proposed in this study. The first assumes that the existing member controlled cooperative structure is adequate for the small scale expansion envisaged. The second and larger model assumes a more conventional company structure to be owned by the people who operate the business. Both entities are assumed to be not-for-profit enterprises, although this need not be the case for the larger model.

How does this study assess 'feasibility'?

This study seeks to build a picture of two service delivery scenarios, including cost estimates for the development and continued operation of the service, and then gauges the likelihood of each model meeting its social and commercial objectives. The social objective of both models is the ability to improve access to local sustainably produced food in areas vulnerable to food insecurity. The commercial objective is to meet the expenses of the aforementioned social objective through the proceeds of trading activity.

The suggested shape and operational nature of the two models considered, including estimates of the costs involved, is based on the following:

- The current operational nature and organisational policy of Source Community Wholefoods Co-operative
- Conversations with the management of The Smith Family and MILE to determine how they felt their operations could contribute to food security in Tasmania
- Conversations with potential customers about how they would like the service to be delivered
- A visit to an operational social enterprise providing local organic food to several hundred residents in Adelaide in South Australia www.foodconnect.com
- The author's experience with two social enterprises delivering local organic food in the United Kingdom www.leighcourtfarm.co.uk - www.churchfarmardeley.co.uk

The ability of the two scenarios to contribute to improved food security in Tasmania on a commercially self-sustaining social enterprise basis is assessed upon the following.

- Semi-structured Interviews and focus groups with a total of 32 residents across three locations to gain a qualitative understanding about their interest in and ability to afford food delivered in this way.
- A survey of the existing product range on offer in the three study areas.
- A price comparison between product currently offered in the three study areas and those offered by Source.

While this study did not have the resources to gain a quantitative assessment of likely demand in the study areas, the number of in-depth interviews (Interview schedule included as Appendix 1) conducted was sufficient to obtain a broad range of views from within the communities and also to identify emerging patterns.

When combined with accurate estimates for the likely cost of delivering the service (based on the current cost structure of multiple similar social enterprises), these qualitative estimates of demand give an acceptable indication of likelihood of generating sufficient service uptake.

Option 1: The “Gently Gently” Approach

Outline of business model

Expand the operations of Source Wholefoods, such that it can pack and make available between 60-100 seasonal fruit and vegetable boxes per week, a portion of which would be distributed into 3 Tasmanian locations where residents may be at risk of food insecurity.

Source currently operates out of a 48m² purpose built shop front on the Sandy Bay Campus of the University of Tasmania. The types of food sold through the store include; fruit and vegetables, grains, pulses, dairy, eggs and bread as well as cleaning and hygiene products. In May 2011, Source commenced a small trial of making Fruit and vegetables available through a pre-packed fruit and vegetable box scheme. At present this trial is making 25 boxes available, on a first come first served basis to existing members.

If Source is going to play a useful part in contributing to the food security of more outlying areas, it will have to pack more than 25 boxes per week. However, the small size of the current Source Wholefoods site restricts how many boxes can be packed. Given the dimensions of the Source site and the requirement that it stay open 5 days a week as a retail shop front, it is envisioned that only as many as 100 boxes a week could be packed on site. Of those 100, a significant portion would need to be made available to the existing membership base of Source, such that perhaps **20-30 boxes may be ultimately available for purchase by people in outlying areas.**

Following the example of other successful vegetable box schemes, it is envisaged that this model would not deliver fruit and vegetable boxes to the home of each individual customer, but would instead have them delivered to drop off points within different communities. This could be a private house or a community space such as a school or community house. Ideally the drop off point would be situated and timed to coincide with another activity which already brings people together. For example, boxes could be delivered to schools and then picked up by parents when they come to participate in school based activities such as The Smith Families *Learning for Life* program, or simply when they come to pick up their children from school.

Given that Source is located a significant distance away from the areas under consideration, and does not currently have a delivery vehicle, there is a question mark over how the products would get from Source to the drop off points in outlying areas. Given the small number of boxes to be delivered under this approach, it is unlikely that the purchase and operation of a dedicated delivery vehicle would make economic sense for Source. More likely a community vehicle, such as the mini bus offered by the Southern Midlands Council could be found which could pick the packed boxes up from Source and deliver them to the community drop off points. Alternatively, if a volunteer system could not be devised, a courier service could be used, although this would add extra cost. However, if a courier service was the only available option the cost could potentially be absorbed across all box scheme customers, in an effort to make the system more affordable for outlying consumers.

To ensure the system operates with a minimum level of food wastage and bad debt, all boxes would need to be paid for before the contents of the boxes are ordered by Source. Currently Source deals with this issue, by requiring that customers pay for their boxes in 4 week blocks in advance. This means the monthly outlay for a customer purchasing the small box is \$80, while the outlay for a large box customer is \$160. Obviously this amount is likely to be considered significant by many residents of areas experiencing food insecurity, and this was indeed identified as an issue by a number of residents interviewed. Conversely some people felt that this was a good thing as it locked them into getting healthy food for a period of time. This latter point may feed in well to the financial literacy programs, run by The Smith Family through their *Learning for Life* program, as it is a good example of how budgeting for an expense can help.

Fig 1: Boxes ready to be packed in the Source Shop



Fig 2: Boxes being packed in the Source Shop

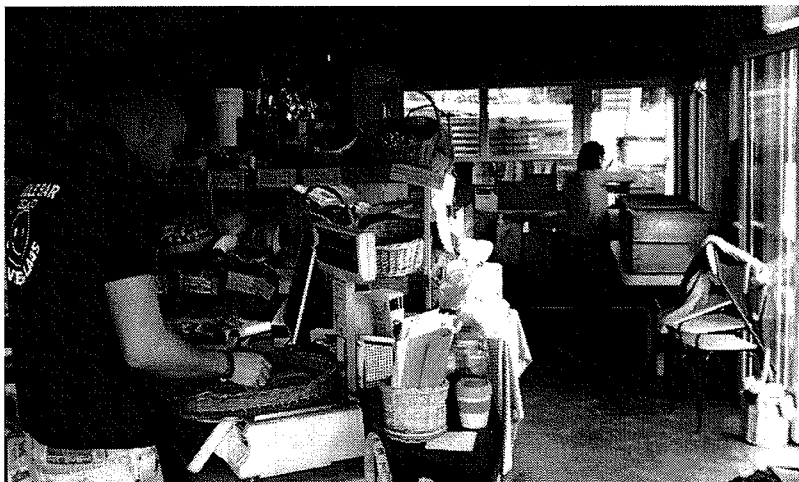
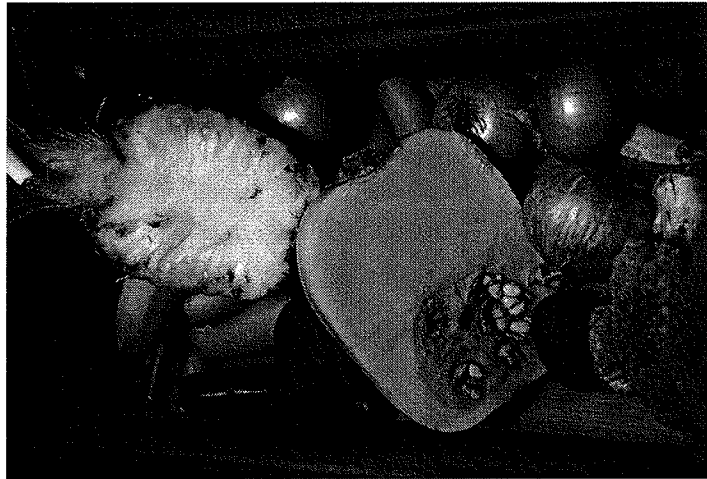


Fig 3: A Small Organic Fruit and Vegetable box from the Source trial



To reduce the cost associated with administering this box scheme, a computer based ordering and record keeping system would be required. This would most likely be an online system which enabled customers to place orders and pay for the box over the internet. As well as taking orders it is vital that this system can keep an accurate tally of who is paid up at any one time and send reminders to customers if needed. This capability would save significant time for paid staff.

In addition to the functional elements of an e-commerce website and data processing program, this type of box scheme would also benefit from a regularly updated social media identity, such as a Facebook account. This type of presence helps physically dispersed members feel a part of the one organisation and is also a cost effective way of marketing, as it tends to promote awareness among the social networks of participants. In addition to its financial and health literacy aspects The Smith Families *Learning for Life* program also includes aspects of digital literacy, and as such is well placed to help residents navigate these aspects of the proposed model.

Governance

Source currently employs one permanent part-time and two casual staff to manage the food related business operations. All strategic decision making as well as a substantial amount of ancillary business organisational activity (e.g. promotion, events co-ordination, OH&S compliance) is carried out by an elected volunteer board of management, which consists of five people, as well as other motivated volunteers. The board is elected at an annual general meeting and then meets on a fortnightly basis. It is likely that this structure would remain suitable for this level of expansion.

However, efforts would need to be made to ensure customers in more distant areas understood their rights as cooperative owners of the business and were provided with opportunities to participate in volunteer programs and social events. The ability to ensure a feeling of connection, for members in suburbs with as diverse socio economic indicators as Sandy Bay and Bridgewater, would be very challenging and would require commitment on the part of Source Board of Management. This task

would be made even more challenging by the fact that sufficient demand may exist within more proximate inner city suburbs to absorb the full capacity of the Source box scheme.

In so far as this model would require cooperation between the box scheme provider (Source) and organisations which are paving the way for the delivery of boxes in specific areas (The Smith Family and MILE) a memorandum of understanding may need to be drawn up and periodic meetings held to outline the specific nature of cooperation and ensure the relationship remains mutually beneficial over time.

Product Offer

While Source currently sells a wider range of products than just fruit and vegetables, at this point it is envisaged that only fruit and vegetables would be made available in the boxes. This is because many consumers are relatively familiar with the concept of receiving a standardised box of seasonal fruit and veg, and it is significantly less complicated than custom packing pantry items like flour, pasta etc.

At present Source has a policy of only selling certified organic produce or produce that comes with a verbal guarantee from the grower that it is grown without the use of synthetic pesticide, herbicide or fertilisers. Discussions with the current Source board give little indication that this organic only policy will change, meaning food delivered in this model would be also be organic.

Fruit and Vegetable boxes are currently offered in two sizes; Small and Large. Small boxes cost \$20 and large cost \$40. Both boxes come with a mix of both fruit and vegetables.

The following is an example of what was contained in the first Source \$20 trial box: 3 apples, 500g Tomatoes, 1kg carrots, 2 Onions, Half a pumpkin, 2 Zucchini's, 500g potatoes, 2 bulbs of garlic, 3 large beetroot. A large box would include double portions of the above or possibly a wider selection of items.

Given that an emphasis is placed on local sourcing, exactly what is available through the box scheme will change throughout the year. The chart below gives an indication of what Tasmanian grown fruits and vegetables are available at different points of the year.

Fig 4: Vegetable Harvest Calendar for Tasmania

Summer	Autumn	Winter	Spring
Basil	Potato	Celery	Broad Beans
Tomatoes	Parsnip	Kale	Cauliflower
Pumpkin	Celery	Lettuce	Shallots
Beetroot	Horseradish	Potato	Snow Peas
Carrots	Onion	Carrot	Brussel Sprouts
Broad Beans	Parsley	Cauliflower	Lettuce
Parsnip	Salad greens	Leeks	Onion
Spinach	Shallots	Silverbeet	Spinach
Sweedes	Carrot	Sweedes	
Potato	Chicory	Broccoli	
Peas	Eggplant	Brussel-Sprouts	
Leeks	Leeks	Cabbage	

Onion	Sweet Corn		
Garlic	Beetroot		
Zucchini	Kale		
Salad greens	Lettuce		
Sweet Corn	Garlic		
Lettuce			

Source (<http://www.gardenate.com/zones/Australia%2B-%2Bcool~mountain?month=7>)

Due to the short growing season in Tasmania, and the inability of growing certain fruits like bananas and pineapples, Source currently buys in some items from the mainland. It is expected this practice would continue, but the primary focus would remain on the sale of Tasmanian produce. The need to buy in produce from out of state is particularly keen during spring time or what is sometimes known by horticulturalists as the 'hungry gap'.

Competitive Environment

A number of visits were made to the three sites to assess the level of fresh fruit and vegetables currently on offer. The following for-profit outlets operate within the study areas:

Chigwell:

- Independent convenience store

Fig 5: Chigwell/Berriedale convenience store



Bridgewater:

- Coles supermarket
- Woolworths supermarket
- Midlands fruit and vegetables

Fig 6: Midlands Fruit Market at Bridgewater



Oatlands:

- 2 IGA stores

Given there are small independent stores operating within each location, these stores were chosen to conduct a price survey comparing the range and price of fruit and vegetable currently on offer within the study sites.

Fig 7: Price comparison of Source products Vs local convenience stores conducted 02/05/2011

Product	Source Wholefoods (\$/Kg)	Oatlands IGA (\$/Kg)	Bridgewater Fruit and veg market (\$/Kg)	Chigwell/Berridale corner store (\$/kg)
Pumpkin	1.65	2.20	1.99	
Parsnip	6.40	8.98	4.99	
Carrots	2.10	1.99	1.59	
Potato	3.31	3.20	2.99	2.75
Broccoli	8.75	5.25	4.99	
Sweet Potato	6.49	4.99	4.49	5.95
Mushrooms	11.99	12.99	4.00	
Onions	4.40	2.50	1.99	3.00
Zucchini		4.99	4.99	
Apples	4.40	4.99	3.49	
Bananas	9.86		10.99	11.95

The figures above illustrate that despite its not for profit status, Source is currently more expensive than the other outlets on the majority of items. The next most expensive outlet is the Oatlands IGA where 44% of the items compared were more expensive than Source. It should be remembered of

course that the products sold at Source are certified organic, while those sold at the other surveyed outlets are not.

Also, the prices quoted above for Source products may come down as the number of boxes packed increases beyond the current level of 25 boxes per week. This is due to increased efficiencies in freight handling and subsequently reduced freight costs per item. It is estimated that price reductions of about 5-7% could be achieved if box numbers were increased to 75 per week.

No organic produce is sold in the outlets surveyed and the range of conventionally produced fruit and vegetables on offer within both Oatlands and Chigwell was quite limited. Chigwell in particular was underserved, with the only store being located on the border with the neighbouring suburb of Berridale and the range of fruit and vegetables on offer is minimal.

None of the fruit and vegetables sold in any of the three outlying study areas actively marketed as being from local sources.

In addition to these for profit stores, a range of charitable organisations also engaged in the distribution of free food for the purposes of 'emergency relief' within Chigwell and Gagebrook. The majority of free food distributed as emergency relief originates from the not-for-profit entity *Second Bite*, which is then distributed through community houses.

Target market

The focus of this study was consumers living in the following three areas, generally accepted as having some level of socio-economic disadvantage and potentially lower than average levels of food security. These areas are, Chigwell, Bridgewater and Oatlands.

This approach would not sell solely into these areas, as Source already has a strong customer base within more central Hobart suburbs. Without the larger volume of food that is currently sold in these more central suburbs, it is unlikely that Source could maintain the human and physical capital required to operate in more distant suburbs.

Similarly, it may be that the majority of customers purchasing boxes from within the study sites would likely be among the more affluent in the area (and thus not the most food insecure). This is felt to be acceptable in so far as it provides an avenue for the delivery of sustainably produced, local food into these often underserved areas. That is, this type of food would become at least more accessible to food insecure persons, if not immediately affordable to all. Over time the availability of this type of food and positive word of mouth, may, if financially feasible, lead other less affluent members of these communities to reprioritise expenditure and trial this box delivery system.

Within the suburbs of Chigwell and Bridgewater, the most likely consumers are mothers/carers visiting schools in which The Smith Family currently operates its *Learning for Life* program.

The potential customer base within Oatlands is broader, and could include anyone in the community interested in healthy eating and quality food.

Estimate of Demand

Demand estimates are based on semi-structured interviews with 32 residents of the study areas. The interviews used a semi-structured approach, with questions being based on those approved by the University of Tasmania's Human Research Ethics Committee as part of the authors PhD ethics application H11289 (Interview schedule attached as appendix 1).

Oatlands: A total of 8 Oatlands residents were interviewed to gauge their level of enthusiasm for the two models, including two members of MILE. Of all the study sites, Oatlands generated the most uniformly enthusiastic responses to the general idea of having vegetable boxes delivered. Interview subjects included 7 women, 3 of whom were over the age of 60. While none of the residents felt that they personally suffered from food insecurity, they did mention that there was little on offer in Oatlands in terms of fruit and vegetables, and that what was on offer, tended to be expensive and of poor quality. A number of respondents suggested that they were aware of several people who would also like to receive a fruit and vegetable box if one was delivered to the area. Significantly, a member of the Southern Midlands Council also suggested that the council could make their community vehicle available for regular pick up the boxes from Hobart and delivery of them to Oatlands.

Against this relatively positive indication however, is the fact that a significant quantity of food is delivered into Oatlands by the charity, Second-bite. Second bite recovers food from large retailers like Coles and Woolworths, as well as from primary producers, that would otherwise go to waste, and delivers it to community groups within food insecure areas. The communities groups (MILE is community group dealing with Second-bite in Oatlands) then deliver the food free of charge to people in need. According to MILE the demand for this service is significant in Oatlands and tends to exceed supply of food. It is estimated that on average 7 families per week are assisted by this service. MILE representatives were concerned however, without constant vigilance this service was open to abuse, by people who came to rely on it as a stable food source rather than using it as an emergency only service.

In summary it is estimated that at least 15 people could be found who would trial the service in Oatlands, however these people are unlikely to be the immediately food insecure given the presence of the Second-bite program which offers food for free.

Chigwell:

6 residents were interviewed. All interview subjects were mothers taking part in Smith Family affiliated mothers group program. All respondents reported that they did the majority of their shopping in the major supermarkets in either Glenorchy or Bridgewater, which while not close, were still accessible. All suggested they were interested in having organic fruit and vegetables delivered to a community drop off point such as a school or community house. However, the majority of respondents also suggested that at the price points discussed a fortnightly box might be more financially feasible. The sum of \$25 per fortnight was mentioned by 3 respondents as a reasonable sum to pay.

One of those interviewed mentioned that they would like to see an increase in the availability of free food that is delivered to their residential complex.

In summary, it is estimated that due to issues of affordability, only a small number of people would be willing to trial the box in this location, perhaps fewer than 5 in the first instance.

Bridgewater:

A total of 18 residents took part in this study through two focus group sessions. One focus group was run at the Bridgewater Community centre with the help of Rebecca Urie (project officer for the Red Cross food security project), while the other was held at East Derwent primary school and was facilitated by The Smith Family. All participants in these focus groups were women, and in the case of the East Derwent Primary group, all were mothers with children under the age of 4.

In general, members of these groups gave only lukewarm indications they we would be interested in obtaining food in this way. For the group at the community centre, price was the primary factor in all food obtainment choices, and a number of members suggested that a 'food bank' offering free food from the community house would be a preferred solution. It was also noted that some free food was currently available from the community centre but that people would like to see this expanded.

A number of respondents at East Derwent Primary also included quality considerations in their primary criteria when purchasing food, but they also felt that they were relatively well serviced by existing retail options in the community. In particular the Midlands fruit market, which operates a large fruit and vegetable retail business in the Bridgewater area, was felt to provide high quality products at affordable prices.

The notion of having food delivered in pre-packed format to a central collection point like a school or community house also did not seem of particular interest for respondents in this area. In general they felt that one needed to go to the shops to purchase other items anyway, so having just fruit and vegetable delivered to a central location was of little benefit. Also three residents raised the point that their shopping excursions out of their suburb were one of their few reasons for getting outside of their immediate surroundings and was therefore valued.

In summary, Bridgewater residents seem the least likely of the respondents to take up the offer. This is because of a combination of financial constraint, adequate alternate supply and conservative attitudes to retail experimentation. That said, a number of residents suggested if the offer was to be actually available, some in the community would inevitably try and then other would be better positioned to make a decision.

Other Locations

During the course of this study, it has become apparent that other sites are interested in also receiving prepacked local organic fruit and vegetable boxes. In particular parents at a school in Glenorchy are interesting in finding a replacement service for the formerly volunteer run model that provided boxes for about 20 families at the school. This example, as well as potential demand from consumers in suburbs which are relatively close to the existing Source location, is not considered in detail within this study as the focus is on the feasibility of delivering to more isolated areas. However, the existence of this demand suggests that the Source board will need to remain focused on why it is seeking to deliver

into these areas, despite the existence of more proximate demand which would perhaps be more easily serviced.

Capital Costs

It is envisaged that Source would need to meet all capital costs associated with developing this model and that partners would only provide some operational support. The variation shown in costs estimates below are primarily associated with the level of volunteer labor that is used, for example whether a volunteer does all required website development work or if this is paid for. Estimates for physical items are based on the purchase of quality second hand items where possible.

Fig 8: Capital start-up costs for 'Gently Gently' approach.

ITEM	Cost
2m by 2m Cool Room	\$5,000-\$10,000
Basic e-commerce website	\$0-\$5000
Shelving	\$1500
Scales	\$500
Boxes	\$500
Total	\$7500-\$17500

Running Costs

Running costs are estimates of a one week period based on the assumption that 100 boxes are packed at the current Source site then picked up and delivered by 3rd parties at no cost. Estimates for debt servicing are based on the assumption that \$15,000 is borrowed from the Social enterprise loan fund (details of this fund are including in the following finance section) – however an estimate is also provided which excludes finance costs.

Fig 9: Estimate of ongoing running costs for 'Gently Gently' approach.

Item	Weekly Cost \$
Wages (gross including super)	\$240 (10hrs @ \$24ph)
Insurance	\$23 (based on additional revenue and wages)
Marketing	\$25
Electricity	\$5
Transport	\$72
Rent	\$1
Volunteer concessions	\$40 (two free veg boxes)
Wastage/bad debt	\$100
Accounting/bookkeeping	\$25
Debt Servicing/finance	\$67
Total	\$598 (or \$490 with no debt repayment or transport)

Finance

While Source currently has some cash held in reserve, organisational policy dictates that it should not be used for operational expenditure or expansion, instead being kept for unforeseen contingencies. Unless this policy (which seems like a prudent one) was changed, Source would need to either; generate additional savings through trading and fundraising activities; obtain grant funding; or borrow from the newly launched Tasmanian Government Social Enterprise Loan Fund.

The Social Enterprise Loan fund provides loans for the expansion of existing social enterprises. Loan amounts are generally expected to be between \$15,000 and \$150,000. A cash or in-kind contribution is expected to be made by the organisation at a level of at least 20% of amount required. If the loan is used for the purchase of equipment, then the loan would need to be repaid within 3-5 years. A 'discounted' interest rate is applied to the loan repayment, with the indicative interest rate given by the Tasmanian Government being 6.5%pa.

If Source was unable to obtain grant funding, or was unwilling to take out debt financing, the model could still proceed with incremental investments as additional income becomes available through trading activity or fund raising events. The use of volunteer labor where available also has the potential to reduce the amount of capital required to the lower end of the projected range.

Income Projections

Two income projections are provided. The first is for a best case scenario, while the second is more conservative.

- The best case scenario is based on the provision of 100 boxes at an average box value of \$27 (This box value represents the current ratio between small and large boxes experienced in the trial)

Total Revenue = \$2700 per week.

Gross income (after cost of goods sold) = \$714

- The conservative scenario assumes the provision of 60 boxes at an average box value of \$27 (This box value represents the current ratio between small and large boxes experienced in the trial).

Total Revenue = \$1620

Gross Income (after costs of goods sold) = \$428

Conclusions

This model of expansion seems like a feasible option and one that could make at least some difference to the level of sustainable and nutritious local food that is delivered into the three areas considered.

From a financial perspective it seems like this model could cover its own costs if it could generate demand for around 80 boxes a week on consistent basis, assuming free transport. If free transport could not be arranged additional boxes would need to be sold to cover this expense, or the cost of the transport would need to be passed on to all members.

While higher prices for organic produce, even when sold through a not-for-profit structure, mean that the product offer may not initially be achievable for all members of these communities, at least some appear to want to try the service if it was offered. Given the relatively small quantities of boxes required to break even on this offer, this 'test it and see' approach seems to offer an opportunity to increase the awareness of organic fruit and vegetables in these areas without risking significant capital investment. It should be pointed out however that the successful delivery of this service depends significantly on the commitment of the various partner organisations. In particular, the ability of one or more partner organisations to provide reliable, subsidised transport of the packed boxes from the Source site in Sandy Bay to the Chigwell, Bridgewater and Oatlands is crucial.

Integrating the box delivery with The Smith Family's *learning for life* program is also seen as fundamental. The fact that The Smith Family have paid staff providing education on healthy eating, financial and digital literacy provides a great opportunity to use this box ordering and delivery system as a real world example – thus promoting awareness and uptake. For example staff from The Smith Family could use the online ordering system to help people new to the internet to become more comfortable with online bill paying. Also, the requirement to pay in advance provides an opportunity to focus on the importance of budgeting and setting aside money for essentials such as fruit and vegetables.

Ultimately, the success or failure of this initiative would depend on the commitment of the Source Board of Management. While no commitment has yet been made either way by the Source Board, they do recognise that the delivery of this service is likely to involve additional effort to engage outlying customers as active co-op members, and also that servicing these customers reduces supply to more proximate and easily serviced customers.

Option 2: "The Full Monty"

Outline of business model

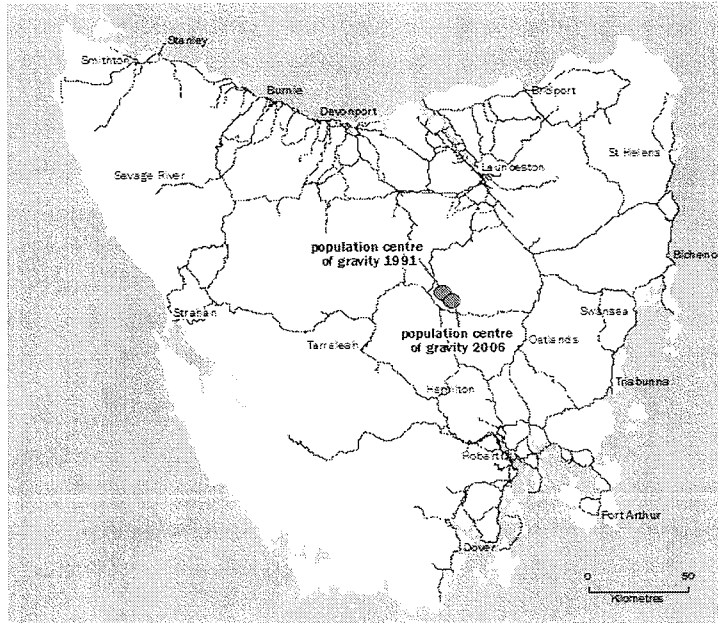
This more ambitious model would seek to provide seasonal fruit and vegetable boxes to residents in all major Tasmanian population centres, with the possible exception of those on the east coast and those west of Burnie in the North and west of New Norfolk in the South.

This business model would require the use of a dedicated packing and distribution centre, employing multiple staff. Due to the requirement to deliver food to multiple customer pickup locations up to 350km apart, as well as the desire to obtain food from producers all over Tasmanian, the distribution centre would benefit from a central location – that is a location that is central to both consumers and suppliers. Oatlands is proposed as a logical choice, due to it being relatively close to the population centre of gravity in the state (see fig 10), as well as being located on the Midland highway and having at least some business support services, (e.g. banking facilities).

In addition to the above logistical benefits, conversation with representatives of MILE and the Southern Midlands Council, highlighted their belief that the attraction of food related businesses represent a viable economic development strategy for the town. The redevelopment of the historic Carrington Mill

at Oatlands has created a focus on food in the town that local decision makers would like to see continue. This situation may enable a suitable food related social enterprise to negotiate favorable terms when securing premises in the Oatlands resulting in low cost or potentially even free rental on a suitable building.

Fig 10: Tasmanian population centre of gravity in 1991 and 2006



As with the 'Gently Gently' approach, this model would also deliver the customer boxes to central pickup points within residential areas, rather than delivering boxes to individual houses. This model is chosen because it reduces the distance and complexity involved in the distribution task and also gives consumers a greater chance to meet and socialise with other people in their area.

However, the extensive distances between different drop off points in this model, for example, between Huonville in the south and Burnie in the north, would likely necessitate the purchase and operation of a dedicated delivery vehicle. Based on a box size of 20cm (h) by 35cm (w) by 55cm (L) it is estimated that about 100 boxes could be packed into a medium sized delivery van (e.g. Ford Transit) with an approximate volume of 5.5 cubic meters. This means that approximately 200 hundred boxes could be delivered around the state over a two day period.

The increased size of this model would reinforce the need for the electronic administration of customer orders. Such a system would need to be able to perform the following tasks:

- Providing product information online
- Accepting customer orders online, including payment processing.

- Accepting and logging variations to customer orders (i.e. stop on order delivery due to holiday), and communicating this information in a timely way to staff
- Providing clear and easy to use reports detailing which customers are paid up at any point in time
- Creating alerts for customers who need to pay for next order in order to receive the next scheduled delivery
- Providing statistics on how customers use the service (i.e. average time as an active customer)
- Providing a social networking forum for customers to interact with staff, other customers, and suppliers.

To aid the uptake of the service with persons who may be experiencing some level of food insecurity, this model would enter into a partnership with organisations like MILE and The Smith Family who currently deliver services into areas at risk of elevated levels of food insecurity. Specifically these groups would be well positioned to advocate for the service within the community, help people navigate the online ordering process and also provide a convenient drop off/pickup location for the boxes.

Conversations with the management of The Smith Family have also identified the potential for this type of service to act as a real world exercise which could be used to aid the delivery of health, financial and digital literacy programs within their '*Learning for Life*' program.

Case Study: Foodconnect Adelaide

Foodconnect Adelaide is a privately owned not for profit social enterprise which shares a brand name (Foodconnect) and business model with two other Australian businesses; Foodconnect Brisbane and Foodconnect Sydney.

The Foodconnect business model was started in Brisbane by former farmer Robert Peakin. The aim of Foodconnect is to provide city based consumers with the freshest local organic fruit and vegetables, directly from farmers within a 500km radius, while at the same time providing a reasonable livelihood for farmers.

Foodconnect is relatively unique in Australia in that it uses its website and social media profiles to not provide both consumers and farmers with significant amounts of information about one another. In this way they are not just linking producers and consumers with physical produce but also recognising the importance of information when buying and selling healthy local food. This method of dispersing information is significant as it provides a methods to disseminate information about healthy eating not just to customers, but also between them and their friends. This peer to peer communication is significant in terms of validating information and generating greater acceptance.

The Adelaide based business employs 5 fulltime staff and has approximately 380 consistent customers for their box scheme, although more than a thousand people have tried the service in its first year.

The vast majority of fruit and vegetable are bought from 18 organic growers from within South Australia delivered directly to the dedicated Foodconnect box packing facility in an Adelaide industrial estate. Boxes are then delivered by courier to community drop off points (generally the houses of a designated customer or 'city cousin' as they are known). The boxes are then pickup up by customers from this drop off location.

Initially Foodconnect has only sold standardised fruit and vegetable boxes, however they are now making investments in its e-commerce infrastructure so that they can handle custom orders for a wider range of products like milk and bread.

Fig 11: Boxes being packed at the Foodconnect Adelaide facility

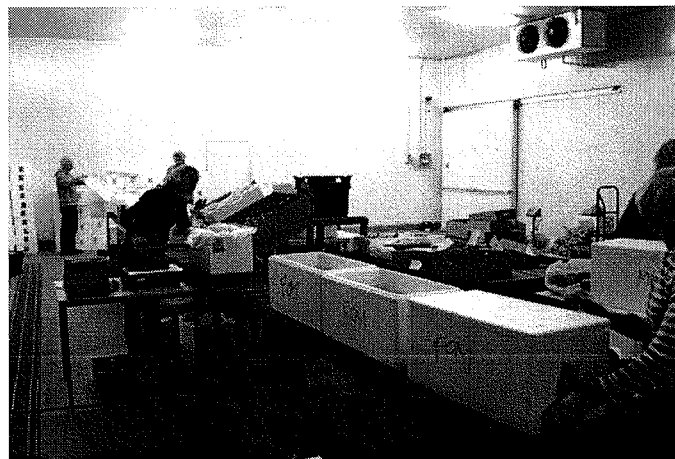
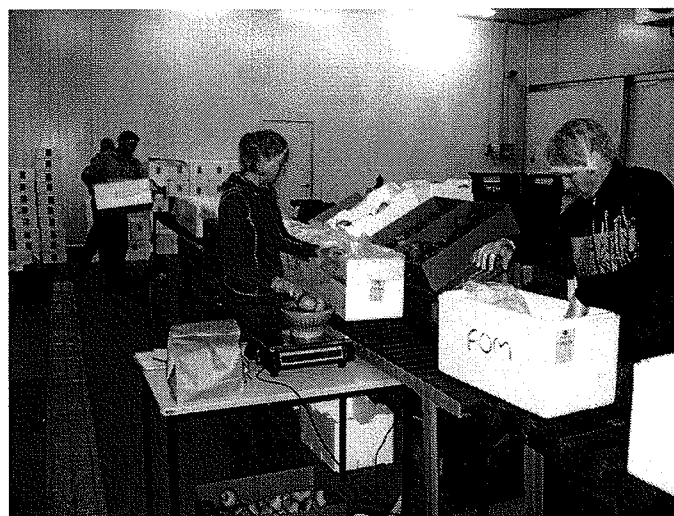


Fig 12: Vegetables being weighed and packed by Foodconnect staff



Product Offer

The product offer is essentially the same as offered by the 'Gently Gently' approach. That is customers would be able to order a box of seasonal, certified organic fruit and vegetables, which would be pre-packed for them and delivered to a convenient drop off location within their area. While customers are not able to specify what they receive in the box, some flexibility would be offered through the provision of a 'swap box' at the drop off location. The swap box allows customers to place unwanted items into the box and swap it for another item, which may have been placed in the box by another customer. For example if you don't like beetroot you place it in the box and may discover that another customer doesn't like garlic and as such you can take some extra garlic instead of the beetroot, the next customer may place in their unwanted bananas and take the beetroot you deposited.

One area where the product offer of the 'Full Monty' service may differ from that of the 'Gently Gently' approach is in the extent to which an online community is constructed and maintained. The case study example business Foodconnect makes extensive use of their Facebook site by ensuring that a paid staff member updates their page on a twice daily basis. The page is updated with information on where the food in the box came from as well as links to interesting online information related to local food systems. This regular updating ensures the website has an active community of people following it and commenting. This in turn enables people to see profiles on other people who are using the service and helps them form an online relationship with them. In addition to the Facebook page, Foodconnect also make extensive use of an aligned (but not internally owned or run) blog, which posts a variety of recipes and stores based around the food that is delivered in the box each week.

Target market

This model would seek to make seasonal fruit and vegetable boxes available in at least the following locations in Tasmania. Where applicable the location of existing partner organisations is noted.

- Greater Hobart (The Smith Family)
- Huonville/Cygnnet
- Sorell/Richmond
- Oatlands (MILE)
- Campbelltown
- Greater Launceston (The Smith Family)
- Deloraine
- Penguin
- Devonport
- Burnie

These areas encompass the majority of Tasmania's 500,000 citizens.

Estimate of Demand

Due to resource constraints, it was not possible to do market research beyond the 32 individuals interviewed in Chigwell, Bridgewater and Oatlands, however, a consideration of the level of demand for

the operational Adelaide based business Foodconnect has been used to give guidance on potential demand for this enlarged service.

As at March 2011 Foodconnect, had approximately 380 consistent subscribers from the city of Adelaide, which has a population of approximately 1.2million people. This level of business was achieved after one year of trade.

In 2007-8 the author spend 12 months living and working at Leight Court Farm, a well established organic market garden near the city of Bristol in England. This farm also ran a vegetable box delivery system, which saw them buy in additional fruit and vegetables to meet demand. They maintained a steady demand for around 350 boxes per week from a population of approximately 1 million people.

Given that the Full Monty model might expect to be able to access as many as 450,000 people in Tasmania, the ratio of population to customers from the two examples above would indicate they might be able to maintain a steady customer base of approximately 150 persons (initial demand would likely be higher but, this number is felt to be a more realistic long term demand estimate).

Set up Costs

Item	Cost \$
1 x 20ft reffridgerated containers	\$8,000
1 x delivery van (med size, second hand, low km's)	\$20,000
E-commerce site	\$0 - \$10,000
Shelving	\$3000
Electric fork lift	\$3000
Scales	\$1000
Boxes	\$1000
Signage/printing	\$2000
Legal Costs	\$1000
Total	\$39000 - \$49000

Running Costs

Item	Weekly Cost \$
Wages (gross including super)	\$912 (38hrs @ \$24ph)
Insurance	\$67 (based on additional revenue and wages)
Marketing	\$100
Vehicle Maintenance/Registration	\$30
Fuel	\$200
Electricity	\$20
Rent	\$1-\$200
Volunteer concessions	\$80 (4 free veg boxes)
Wastage/bad debt	\$200
Accounting/bookkeeping	\$27
Debt Servicing/finance	\$198 (based on a loan of \$44,000 over 5yrs)
Depreciation	\$100
Total	\$1935 - \$2134

These running costs assume a larger relative amount of paid labor than the *Gently Gently* approach because it has been assumed it does not operate with a volunteer board of management, as is the case with the former model. Therefore a number of compliance and promotional activities would need to be undertaken by paid staff where these are currently provided for free by volunteer staff, especially the board of management.

Finance

It is anticipated finance would come through the Tasmanian Government's Social Enterprise Loan Fund. With the same conditions as outlined in previous section on Finance (Page 18).

Income Projections

This projection is based on the assumption that 150 boxes are delivered on average per week, with an average order value of \$27 per box.

- Gross Revenue = \$4050
- Gross Income (after cost of goods sold) = \$1072

Governance

Conversations with fellow Source board members has not given any indication that they have any ambitions to operate at a state wide scale, or to manage additional facilities to those they currently occupy. As such I believe a separate organisation would need to be formed to operate this model.

While Source is structured as a member owned cooperative I would suggest that the more spatially fragmented and larger scale of this model would require a more conventional company structure where control rested with a limited number of individuals. This suggestion is based on the following;

- 1) My experience with Source Wholefoods has highlighted the fact the business is competing against predominantly owner/operator small businesses. The owners of these businesses have strong financial incentives to work very hard, and limited potential to pass responsibility on. As such I believe this type of structure is most likely to yield long term results in a competitive market place, because of a greater alignment between strategic intent and operational activity.
- 2) The case study enterprise Foodconnect operates using a combination of privately owned company structures, including a Company Limited by Guarantee as the overarching structure. This enables the co-founders of the business to operate as a legitimate not-for-profit business while still retaining complete control of the operation, including how they structure their own remuneration.

Any partnerships with organisations like The Smith Family or MILE could either be handled through informal agreements or by a signed Memorandum of Understanding. This latter option may be advisable where investments in the program are required.

Conclusion

Based on the ratio of customers to population achieved by the established business Foodconnect Adelaide and Leigh Court Farm in Bristol, it does not seem likely that this model could generate sufficient income to cover its operating costs over the longer term.

One fundamental reason for this is the low population density in Tasmania relative to other population centres currently serviced by this type of enterprise. As a result of the low population density, transport costs are substantially increased to the point where the business is not viable. However, it seems that even if Transport costs could be somehow removed from this model (for example through some kind of grant or subsidy) the estimated level of long term demand would still not be sufficient to cover ongoing running costs, in particular to wage costs.

The only way this particular model would seem feasible is if average spend per customer could be increased by a significant amount. This would only be possible by appealing to a higher end market, which would have still less appeal to food insecure persons.

Recommendations

After discussing these findings with the study partners I recommend the following course of action:

1) Make the report available:

This report will be actively disseminated amongst members of the Source Cooperative via its website (www.sourcewholefoods.org.au) and an in-store hard copy. The report has also been made available to all partner organisations as well as the food security council. The author is happy for this report to be copied and distributed free of charge.

When the Source Board and the general membership have had a chance to read the document a meeting should be called to discuss the results.

2) Identify a 'champion' to pursue the 'Gently Gently' option:

While neither option investigated appeared to offer a risk free means of improving food security, the Gently Gently option does seem to offer a feasible means of making a small but incremental improvement in access to healthy and sustainably produced food. While the level of demand in the three neighbourhoods examined is not certain, the most critical element of success required is the commitment of the Source Board to overcoming the inevitable learning curve, despite the existence of less challenging demand from more proximate consumers. The likelihood of success would be greatly enhanced by the identification of a project 'champion' within the Source Board who would drive the expansion, especially efforts designed to include more distant members in the full range of activities carried on by the co-op. Discussion undertaken during the completion of this report did not give a strong indication that existing

board members are ready to move forward with such expansion, however, wider dissemination of this report amongst the membership, and the election of a new Board at the upcoming (July 19) Source AGM may change this situation (The author will not be standing for reelection).

Unfortunately the Full Monty approach as investigated in this report does not appear feasible at this time and I would not recommend further commitment of resources to this project at this time.

3) Upgrade box scheme infrastructure at the Source site:

Assuming a member of the Source Board does champion the Gently Gently model, and the rest of the board agrees to go ahead, infrastructure upgrades would then be required at the Source site. In particular, the construction of additional refrigeration space, and the development of an online ordering and payment system. However, these infrastructure upgrades are required for the continued development of the box scheme regardless of whether the boxes are being distributed into more distant suburbs. In the authors opinion these investments should be made as a matter of priority regardless of the intention to pursue the 'Gently Gently' model.

4) Meet with the study partners to plan specifics of service delivery. p

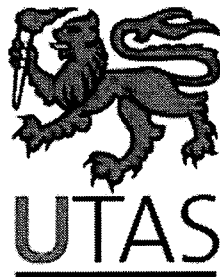
If the Source board decides to pursue the Gently Gently approach, and when the infrastructure upgrades are complete, a meeting should be arranged between the Source Board, The Smith Family and MiLE to begin identifying the specifics of service delivery and project management. For example, Source may need to provide some literature to help staff from The Smith Family and MiLE to promote the initiative to potential customers. The specific of delivery location, time, and transport would need to be decided on at this point. The outcome of this meeting could be a mini business plan, which would help guide the service delivery.

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Appendix 1: Customer Questionnaire

The following questionnaire was approved for use as part of the Authors University of Tasmania PhD research, human research ethics application: H11289



Survey Questionnaire

PHD Project: How are ICT and Web 2.0 affecting alternative agri-food networks?

Student Researcher: Benjamin Wills (bwills@utas.edu.au)

Group 1 (Consumers)

- Where do you do the **majority** of your weekly food shopping (not including restaurants)?
- In terms of volume (kg) and value (\$), estimate what percentage of your food purchases do you obtain at the following outlets (e.g. Coles = 50%, Farmers Market = 40%, Home production = 10%).

Location	Volume %	\$ %
Coles supermarket		
Woolworths supermarket		
Charitable organisation (e.g. The Salvation Army)		
Online Shopping with delivery		
Independent supermarket (IGA etc.)		
Independent butcher		
Independent baker		
Independent Deli		

Farmers Market

Food Cooperative

Farm Gate

Home production (e.g. garden, livestock)

TOTAL

100%

- On average how much do you spend on food at the following outlets per week.

Location	Expenditure \$
Coles supermarket	
Woolworths supermarket	
Charitable organisation (e.g. The Salvation Army)	
Online Shopping with delivery	
Independent supermarket (IGA etc.)	
Independent butcher	
Independent baker	
Independent Deli	
Farmers Market	
Food Cooperative	
Direct from Local farmer(s)	
Home production (e.g. garden, livestock)	

TOTAL

- Roughly, on average how much time does it take you to acquire food from each of the following outlets, including getting to and from the outlet.

Location	Time	Estimated Time
Coles supermarket		
Woolworths supermarket		
Charitable organisation (e.g. The Salvation Army)		
Online Shopping with delivery		
Independent supermarket (IGA etc.)		
Independent butcher		
Independent baker		
Independent Deli		
Farmers Market		
Food Cooperative		
Direct from Local farmer(s)		
Home production (e.g. garden, livestock)		
TOTAL		

- On a scale between 1 and 5 (with 1 being most important) how important are the following attributes to you when you are shopping for food?

Low price

Shopping Convenience

Freshness

Personal contact with producer of product

Personal contact with knowledgeable seller

Information about where the product was produced

Information about how the product was produced

Car parking

Appearance of product

Minimal packaging

Attractive packaging

Consistent supply

Wide range

- On a scale between 1 and 5 (with 1 being most negative) how negative do you find the following issues when shopping?

Remote location of outlet

Limited opening hours

Limited car parking

No personal service

Fluorescent lighting

Inconsistent range

High price

Lack of information about product

Other

- If a durable food item (e.g. can of beans or other packaged food item) has a value of \$1 within a large supermarket, how much more or less would you be willing to pay for that item under the following scenarios (e.g. +10cents, or -15cents, or 0 etc.)?

Produced in your state

Produced in China

Produced in New Zealand

Produced in Australia

Produced by small family business in your state

Able to talk with the producer of the product at the point of purchase.

Sold at outdoor market in suburban fringe

Sold at outdoor market in City centre

Bought online and home delivered

Bought at a not-for-profit food cooperative

Bought at a small independent shop

Organic

- Have you shopped for food online before? If so, briefly describe your experience including if you thought it was positive or negative and why.
- Do you use any of the following online social networking site?

Facebook

Twitter

MySpace

Other

- Do you maintain your own blog? If so, do you discuss food related issues on your blog?
- Do you read any specific blog on a regular basis? If so does it deal with food related issues?
- How regularly do you check your online networking site?

Less than once a week

Once a week

More than once a week

Once a day

More than once a day

- Have you bought any type of product over from the internet? If so, what did you buy and was (is) the experience positive or negative?
- Have you bought a product online because of a positive reference from a member of your online social network – if so what sort of product?
- Have you ever cooperated with members of your social networking site to buy something together – if so what?
- If a group of your online friends decided to cooperatively purchase locally grown/processed grocery items online and have them home delivered would you consider being involved?
- What type of information do you look for when making food purchasing decisions (e.g. price, nutritional information, place of production etc)?
- What type of information do you find most difficult to obtain when purchasing food?
- Would you like more information about where your food is produced and how ethical and sustainable that production is?
- What source would you prefer to receive food related information from?

The food Producer/Farmer

The Retailer

A third party website

A friend

A magazine